

**LEGAL SERVICES CORPORATION  
OFFICE OF INSPECTOR GENERAL**

**AUDIT OF GRANTEE'S  
PRIVATE ATTORNEY INVOLVEMENT  
PROGRAM**

**Grantee: Legal Services of Northern California  
Recipient No. 805240**

**Report No. AU04-06**

**AUGUST 2004**

**[www.oig.lsc.gov](http://www.oig.lsc.gov)**



August 25, 2004

Mr. Gary F. Smith  
Executive Director  
Legal Services of Northern California, Inc.  
517 Twelfth St.  
Sacramento, Ca. 95814

Dear Mr. Smith:

Enclosed is our final audit report on Legal Services of Northern California's compliance with private attorney involvement (PAI) requirements of 45 CFR Part 1614. Your comments on the draft report are included as Appendix 1. The final report includes four recommendations.

Your response to the draft report indicates substantial agreement with the recommendations. You disagreed with the findings that the expenditures for the Senior Legal Hotline and a portion of the expenditure for the legal advice and assistance contract should not have been charged to PAI for 2002. We deleted the Senior Legal Hotline finding, but continue to conclude that all of the expenditure for legal advice and assistance should not have been charged to PAI.

Based on your agreement with the recommendations and the steps you indicate have been taken to implement them, we are closing three of the four recommendations. However, please provide an action plan for implementing recommendation 2. Specifically, your plan should address the steps that will be taken to discontinue charging all of the expenditure for legal advice and assistance to PAI. Please provide us with the plan within 30 days of this report.

A copy of this report is also being sent to the Chair of the Board of Directors of your program and to LSC management.

Thank you and all your staff for the cooperation and courtesy extended to the OIG auditors. If you have any questions about the report, please contact David L. Gellman at 202-295-1665 or me at 202-295-1651.

Sincerely,

Leonard J. Koczur  
Acting Inspector General

Enclosure

cc: Legal Services Corporation  
John Eidleman  
Michael Genz

**LEGAL SERVICES CORPORATION  
OFFICE OF INSPECTOR GENERAL**

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## RESULTS OF AUDIT

The Legal Services Corporation (LSC), Office of Inspector General (OIG) conducted this audit to evaluate Legal Services of Northern California (grantee) compliance with the Private Attorney Involvement (PAI) regulations (45 CFR 1614). This regulation requires the grantee to spend an amount equal to at least 12.5 percent of its basic field grant to involve private attorneys in providing legal services to clients. Grantees are to provide LSC statistics on the private attorneys involved and the programs must operate efficiently and effectively.

The grantee generally complied with the requirements of 45 CFR 1614, and related statistical reporting requirements except the grantee:

- did not provide adequate oversight and follow-up for cases referred to private attorneys (1614.3(d)(3)).
- made a net understatement of PAI expenditures, although still exceeded the 12.5 percent expenditure requirement for 2002 (1614.1(a)).
- did not report accurate statistical data on its PAI program to LSC

Each finding is discussed in detail below.

### OVERSIGHT AND FOLLOW-UP

The grantee did not provide adequate oversight or follow-up to ensure the prompt disposition of cases referred to private attorneys by the subgrantee Volunteer Legal Services Program (VLSP) in Sacramento as required by section 1614.3(d)(3). The Auburn Branch Office provided adequate oversight and follow-up.

A sample of ten VLSP cases was reviewed. Six out of the ten cases neither had documentation of follow-up letters nor telephone calls for periods of six months to one year. Two examples illustrate the problem:

Case A was opened and assigned to a private attorney in May 2000. The attorney was contacted in March 2004, but the most recent prior contact was in March 2003.

Case B was opened and assigned to a private attorney in September 2001. The most recent follow-up with the attorney occurred in March 2004, but the most recent prior contact was in July 2002.

VLSP had not fully implemented procedures requiring the staff to periodically follow up, including documentation, with private attorneys to determine the status of cases. Attorneys handling limited service cases should be contacted within a month of case referral to determine their status. Quarterly follow-up, at a minimum, should be required for extended service cases. The adherence to such procedures would substantially correct the follow-up problem without burdening either VLSP staff or the private attorneys. Over 95 percent of the PAI cases are limited services and should require minimum follow-up work. Periodically following up on the relatively few extended services cases should not be time consuming.

The OIG recognizes that following up on the status of PAI cases presents some difficult challenges for the grantee. In this grantee's situation, the private attorneys are generally taking the cases pro bono and their involvement expands the availability of legal services to eligible clients. The OIG understands that the grantee certainly does not want to alienate the attorneys and have them leave the program. However, the follow-up procedures outlined in the prior paragraph should not be an undue burden to either the private attorneys or the VLSP's staff, and should ensure the timely disposition of cases as required by the regulation.

#### RECOMMENDATION

We recommend that the Executive Director

1. Require VLSP to implement procedures for documenting follow-up with private attorneys on the status of PAI cases, including timely follow-up on limited service cases and at least quarterly follow-up on extended service cases.

#### PAI EXPENDITURES

The grantee's 2002 PAI expenditures of \$467,655 were understated by \$7,162. The understatement resulted from improperly charging some contract services to PAI and failing to allocate certain employee benefits to PAI. When the \$7,162 is added, the grantee's corrected PAI totaled \$474,817. This amount is 17.6 percent of the grantee's basic field grant. The net understatement resulted from the following:

Overstatement for Contract Services	\$25,500
Understatement of Employee Benefits	<u>(\$32,662)</u>
Net Undercharge	<u>(\$7,162)</u>

The \$25,500 overstatement resulted from a direct charge of \$30,000 to PAI for a contract payment to Western Center for Law and Poverty. This contract provides for legal research and technical support for the grantee's legal staff and PAI attorneys. Charging the entire contract expenditure to PAI does not comply with the requirement for allocating costs based on reasonable operating data. (Sec. 1614.3(e) (1) (i)). Applying a reasonable allocation for PAI (15 percent approximates the percentage of PAI cases to total cases) to the contract cost reduces the charge to PAI by \$25,500.

The \$32,662 understatement occurred because indirect costs (rent, equipment and other office expenses) applicable to PAI that were funded by non-LSC sources were not charged to PAI. Even though non-LSC funds were used to pay the expenses, they should have been included in the grantee's total PAI expenses. The grantee does not require that such expenses be charged to PAI.

The error in accounting for PAI expenses did result in LSC not receiving accurate information on PAI expenditures. Similar errors in the future could reduce the grantee's PAI expenditures below the required level and result in a violation of the PAI regulation. The grantee needs to establish procedures requiring that the financial manager periodically review amounts charged to PAI to ensure they are accurate.

### RECOMMENDATION

We recommend that the Executive Director:

2. Establish procedures requiring the individual responsible for the financial system to periodically review direct and indirect charges to PAI to ensure they are accurate and reasonable.
3. Require that accounting procedures be changed to ensure that all applicable expenses are charged to PAI, regardless of funding source.

### STATISTICAL REPORT

The grantee reported inaccurate statistical data for 2003. On the J-1 Report—Components of PAI, the grantee reported 578 closed cases, significantly understating the 2,619 closed cases reported for PAI in the G-3(d) Report—Actual Case Services-PAI. Supporting documentation showed a total of 2,595 PAI cases closed for 2003. The Managing Attorney for Sacramento stated that the total reported on the G-3(d) Report was accurate, and the discrepancy reflected 24 cases closed in 2003 that had not yet been entered into the supporting documentation. Statistical data should be reported accurately and supporting documentation should be complete.

## RECOMMENDATION

We recommend that the Executive Director:

4. Establish procedures to ensure that all statistical data reported is accurate and that supporting documentation is complete.

## BACKGROUND

Legal Services of Northern California, Inc. is a nonprofit corporation established to provide legal services to indigent persons who meet applicable eligibility requirements. This grantee is headquartered in Sacramento, California, with branch offices in Woodland, Chico, Auburn, Redding, Vallejo, Eureka, Ukiah and W. Sacramento. The grantee has total staffing of approximately 101 employees, about one third are attorneys. The grantee received an LSC basic field grant of \$2,704,803 for 2002. The PAI program, as reflected in the statistical data, focuses on limited service cases (98 percent for 2003), with 22 percent consumer/finance, 15 family law and 45 percent "miscellaneous" such as wills, probate, criminal records expungement and driver's license reinstatements. Most of these services are provided through periodic clinics.

LSNC's PAI plan varies from office to office because of unique circumstances in each of the counties where programs are located. Of the 2600 closed cases reported for 2003, approximately 2000 were closed in Sacramento and 336 in Auburn. Less than 300 cases were scattered among the remaining offices.

The Sacramento Office provides PAI legal services primarily through a subgrant to the VLSP. The VLSP is a joint program of LSNC and the Sacramento County Bar Association. It is currently staffed by the Executive Director of LSNC, a Managing Attorney and an Assistant Program Manager for Administrative Services. VLSP operates the following periodic clinics in Sacramento: (1) driver's license reinstatement and criminal record expungement, (2) debt collection defense and employment law, (3) probate, and (4) AIDS and simple wills.

Also in Sacramento, an LSNC Supervising Staff Attorney coordinates a non-LSC funded Senior Legal Hotline utilizing pro bono attorneys. Pursuant to the Older Americans Act, LSC financial eligibility is not required. Consequently, cases generated by this hotline are not reportable.

Most of the PAI activities in Auburn consist of limited services through seven pro se clinics. One LSNC staff attorney and one LSNC paralegal coordinate six of

these clinics, while a contract attorney coordinates a monthly clinic in a more remote area.

In 2002, LSNC reported \$467,655 (\$290,787 in LSC funds) to meet the PAI requirement. This amounted to 17.3 percent of the annualized basic field grant of \$2,704,803. Of the total PAI expenditures reported, LSNC reported \$363,029 for staff salaries, benefits and related indirect charges such as rent, equipment and other office expenses. LCNC charged the following expenditures directly to PAI: (1) \$54,150 for the VLSP sub-grant, (2) \$30,000 for consulting services, and (3) \$20,476 for a reduced-fee contract attorney. {SEE ADJUSTMENTS TO PAI EXPENDITURES}

## **OBJECTIVES, SCOPE AND METHODOLOGY**

The purpose of the audit was to evaluate compliance with requirements established in 45 CFR 1614, relating to private attorney involvement (PAI), including effectiveness and efficiency of PAI programs (Sec. 1614.1(c)). The on-site portion of this audit was performed from March 15, 2004 to March 17, 2004. This audit is part of a series of audits of PAI the OIG will conduct at a representative number of LSC grantees to identify systemic weaknesses as well as "best practices." The audit was performed in accordance with Generally Accepted Government Audit Standards.

The audit covered the period from January 1, 2002, through December 31, 2002 for accounting data, and January 1, 2003 through December 31, 2003 for statistical data. The OIG reviewed grant applications, audited financial statements and statistical data reported. The OIG interviewed the Executive Director, Managing Attorney for Sacramento and the VLSP Program Director (subgrantee) as well as the Fiscal Director at the headquarters office in Fresno. In addition, the OIG interviewed the Managing Attorney and the paralegal who coordinated the pro se clinic at the Visalia Office. The OIG performed the following specific tests:

1. Planning - Reviewed and evaluated the grant application for 2002. Interviewed Office of Performance and Planning and the Office of Compliance and Enforcement staffs to obtain background on prior reviews and evaluations. Interviewed the Executive Director and VLSP Director to evaluate planning for prioritizing legal needs and for obtaining feedback from community organizations and clients on PAI legal services provided.
2. Statistics - Traced statistical reports (Case Statistical Reports) to closed-case listings for PAI cases. Tested samples of cases for each of the two offices where PAI cases were reported to verify existence, LSC eligibility, type of case and level of service. Tested the accuracy of data reported on

the J-1 Report-Components of PAI by tracing the data to supporting documentation.

3. Accounting - Reviewed and evaluated the grantees audited financial statements for 2002. Tested a sample of direct PAI disbursements, tracing expenditures to source documentation submitted by vendors and evaluating relevance to the PAI program. Compared a listing of individuals who had terminated employment with the grantee in the past two years to verify compliance with the prohibition on paying these former employees, including reduced-fee contracts for PAI. Evaluated the reasonableness of time charged to PAI by grantee employees, related indirect costs and internal controls over accounting for PAI.
4. Oversight - Reviewed self-inspections for 2002. Tested samples of open and/or recently-closed cases to evaluate the timeliness of follow-up and case closure.
5. Productivity - Evaluated statistical and accounting data to assess the productivity of the grantee's overall PAI program by comparing this data to national averages. Compared productivity between the PAI programs at the grantee's two offices.

### **SUMMARY OF GRANTEE'S COMMENTS ON DRAFT REPORT AND THE OIG'S RESPONSE**

#### **GRANTEE COMMENT-OVERSIGHT AND FOLLOW-UP**

The grantee disagreed with the draft report's "apparent finding" that VLSP had not adopted follow-up procedures with private attorneys. The grantee stated that contacts were made by telephone in the cases sampled, but that these contacts were not always documented due in part to problems arising from installation of a new case management system.

The grantee accepted the recommendation and reported that it has taken steps to implement the recommendation.

#### **OIG RESPONSE**

The OIG modified the finding, eliminating reference to establishing procedures, and focusing on implementing follow-up procedures, including documentation.

## GRANTEE COMMENT-OVERSTATEMENT OF PAI EXPENSES

- (a) The grantee disagreed with the finding that all expenses associated with the Senior Legal Hotline were not allowable PAI expenses. The grantee asserts that its sampling studies showed that 55 percent of their seniors' cases were LSC eligible and that LSC permitted the grantee to include 55 percent of its seniors' cases in its' CSR reports for 2002. In turn, the grantee argues that 55 percent of the Senior Legal Hotline expenses should be applied as qualifying PAI-related expenses for 2002.
- (b) The grantee disagreed with the disallowance of a portion of a contract payment for legal research and technical support for the grantee's staff and PAI attorneys. The grantee asserts that the contractors are "private attorneys" as defined by 45 CFR 1614.1(d). The grantee argues that 45 CFR 1614.3(b)(1) specifically includes as an allowable PAI expense "support provided by private attorneys to the recipient in its delivery of legal assistance to eligible clients on either a reduced fee or pro bono basis." In turn, the grantee states that the value of services provided by this contractor meets the requirement for reduced-fee legal services because the estimated fair market value of comparable services from "commercial vendors" would be well in excess of \$100,000 (more than 50 percent less than the contract fee of \$30,000).

The grantee accepted the two recommendations to periodically review direct and indirect charges to PAI and to change accounting procedures to ensure that all applicable expenses are charged to PAI, regardless of funding source.

## OIG RESPONSE

- (a) The OIG deleted the finding on the allowability of Senior Legal Hotline expenses. We concluded that the LSC authorization to report CSR data for 2002 for the Senior Legal Hotline could reasonably imply authorization to report the related expenditures as PAI. For subsequent years, however, the grantee may not include these Senior Legal Hotline expenditures for PAI.
- (b) The OIG disagrees with the grantee's assertion that contract costs for legal research and technical support are allowable PAI charges. The contractor does not provide support services to the grantee on a reduced fee or pro bono basis. Because the contractor limits its' activities to providing assistance to low income persons, it is not clear that the contractor qualifies as a private attorney.(See 1614.1(d)) Even if the contractor qualified as a private attorney, permissible activities chargeable to PAI include support provided on a reduced fee or pro bono basis. (See Sec. 1614.3(b)(1)). The

grantee may be correct in asserting that the rate paid in this contract was substantially lower (more than 50 percent less) than the rate that would be paid to a commercial vendor (“for profit” law firm). However, this appears to be an arms-length contract with a rate available to all legal service providers. Consequently, these attorney fees reflect the fair market rate for such services provided by nonprofit organizations and are not reduced rates.

#### GRANTEE COMMENT-STATISTICAL REPORT

The grantee accepted the recommendation and reported that it has taken steps to ensure that statistical data reported is accurate.

LEGAL SERVICES  OF NORTHERN CALIFORNIA

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July 30, 2004

Via Federal Express

Leonard J. Koczur  
Acting Inspector General  
Legal Services Corporation  
3333 K Street, N.W., 3<sup>rd</sup> Floor  
Washington, DC 20007-3522

Dear Mr. Koczur:

Introduction

This letter constitutes the response of Legal Services of Northern California, Inc. (LSNC) to the draft report of the Office of the Inspector General, dated July 12, 2004, on the audit conducted by the OIG of LSNC's compliance with the Private Attorney Involvement (PAI) requirements of the Legal Services Corporation. We will comment upon each of the findings in the draft report. The draft report also contains four recommendations, all of which were raised in conversations with the OIG team prior to their departure in March. As we indicated verbally at that time, and confirmed in a follow-up letter to the OIG dated March 26, 2004 (attached), we *already* have accepted and implemented the recommendations set forth in the draft report, (and made other improvements to aspects of our PAI program not mentioned in the report), and we are puzzled by the report's failure to acknowledge these prior and prompt responses to the OIG team's suggestions.

1. Overall Finding.

We are pleased, of course, with the draft report's overall conclusion that LSNC is in general compliance with the mandate of 45 C.F.R. § 1614 and related statistical reporting requirements. We are disappointed, however, that the draft report immediately and exclusively focuses upon four relatively minor instances of alleged non-compliance, without in any way describing or even acknowledging the overall high quality and effectiveness of our PAI program; the overall strength and integrity of our PAI systems (in terms of both fiscal and case management); the strong overall compliance of our PAI cases with CSR requirements; and the wide variety and creativity of our PAI delivery systems, which successfully implement the Corporation's private attorney involvement mandates in diverse legal markets ranging from high density urban centers to extremely isolated rural communities. All of these positive attributes of our PAI program were discussed and acknowledged verbally by the OIG

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team during their on-site review, but somehow none of these observations appear in the draft report.

2. Oversight and Follow-up with Voluntary Legal Services Program (VLSP) Cases.

The draft report concludes that while the PAI cases handled by LSNC's Auburn office were provided with adequate oversight and follow-up, the PAI cases referred to the Voluntary Legal Services Program (VLSP) in Sacramento were not.

We disagree with the draft report's apparent finding that VLSP has not adopted procedures "requiring staff to periodically follow up with private attorneys to determine the status of cases." Draft Report at 2. In fact, as we discussed at length with the OIG team, VLSP *always* has required staff to make quarterly status contacts with private attorneys on PAI extended services cases, and in fact such contacts *were* made, by telephone, in the cases sampled. However, due in part to problems arising from the installation of a new case management system during the period in question, the periodic reviews were not always *documented* in the case files.

**Recommendation No. 1:**

We accept this recommendation, and as set forth in our attached letter of March 26, 2004, VLSP already has taken steps to ensure that "status" letters will be sent to pro bono counsel handling open cases at least once every quarter, and that the postings and date of such letters shall be documented in the case notes of each file. In addition, "limited service" cases (primarily clinics) shall be monitored to ensure closure as soon as services have concluded, and any such cases requiring more extended service will be reviewed on a quarterly basis.

3. Overstatement of Certain PAI Expenses.

(a) Senior Legal Hotline Expenses.

We disagree with the draft report's finding that all expenses associated with our Senior Legal Hotline be disallowed for PAI purposes. As we discussed at some length with the OIG team, in recent years the Corporation has wavered on the question of whether cases for seniors, funded by the Older Americans Act, under which financial eligibility information generally is not obtained for individual clients, should be included for Case Service Reporting (CSR) purposes. Prior to 2002, LSC grantees included such cases in their CSR reports. In 2002, pursuant to a pilot project approved by LSC,

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both LSNC and Atlanta Legal Aid Society conducted detailed studies of their seniors cases which indicated that 55% and 53%, respectively, of their senior clients met LSC eligibility standards. Accordingly, for 2002, LSNC was instructed to include 55% of its Senior Hotline cases in its CSR reports. In 2003, LSC changed its CSR reporting policy for seniors cases yet again, and provided for "special CSR reporting" of seniors cases (see Program Letter 03-2).

This audit covers LSNC's PAI compliance for 2002. Since LSC specifically permitted LSNC to include 55% of its seniors cases in its regular CSR reports for 2002, at a minimum 55% of our PAI expenses attributable to the Senior Legal Hotline for 2002 should be allowed. Moreover, since our sampling indicates that a consistent 55% of our Senior Legal Hotline clients continue to meet LSC financial eligibility standards, LSNC should be permitted to continue to apply that percentage to its otherwise qualifying PAI-related expenses for the Senior Legal Hotline.

(b) Western Center on Law and Poverty Support Services Contract.

We strongly disagree with the draft report's disallowance of a direct charge of \$30,000 for a contract payment to Western Center on Law and Poverty, for the provision by WCLP of various services to LSNC advocates and clients, including legal advice and assistance on cases; co-counseling; legal research; community education materials; and substantive trainings. The draft report concludes that charging the entire contract amount is not a "reasonable allocation," and instead allows only a 15% allocation (approximating the percentage of LSNC's PAI cases to total cases).

The draft report appears to treat the WCLP contract amount as a general indirect expense, which can be allocated to PAI only in proportion to LSNC's general PAI percentage. This analysis is incorrect and misapprehends the nature of the legal support provided by WCLP to LSNC. WCLP is a private law firm which specializes in issues affecting low income clients in California. The attorneys employed by WCLP are "private attorneys" as defined by 45 C.F.R. § 1614.1(d). Every time a WCLP advocate provides legal advice or technical support to a LSNC advocate, pursuant to our contract, LSNC receives *direct* "private attorney" assistance. Indeed, the legal services provided by WCLP to LSNC are no different than the services provided to a grantee pursuant to a PAI contract with any private law firm. 45 C.F.R. § 1614.3(b)(1) specifically includes, in the permissible range of PAI activities, "support provided by private attorneys to the recipient in its delivery of legal assistance to eligible clients on either a reduced fee or pro bono basis *through the provision of community legal education, training, technical assistance, research, advice and*

*counsel, co-counseling arrangements, or the use of private law firm facilities, libraries, computer-assisted legal research systems, or other resources” (emphasis supplied).* These are precisely the type of services provided to LSNC by WCLP. The fair market value of the legal services which LSNC and its clients receive annually from WCLP (a non-profit organization) is obviously far in excess of the contract amount, and thus there is no doubt that WCLP provides these services on a vastly “reduced-fee” basis. Indeed, the estimated fair market value of comparable services, if they were available and could be purchased from a commercial vendor, is well in excess of \$100,000. All of the services provided by WCLP to LSNC meet the definition of PAI activity, and therefore the entire amount of the support contract with WCLP should be allowed as a PAI expense.

4. Understatement of PAI Expenses.

The draft report found that LSNC understated its PAI expenses in the amount of \$32,662, by not including certain indirect costs applicable to PAI which were funded by non-LSC sources.

**Recommendations 2 and 3:**

We accept these two recommendations regarding the accounting of our PAI expenses, and accordingly LSNC’s Director of Finance and Administration will review, on a quarterly basis, all direct and indirect charges to PAI to ensure all such charges are accurate and reasonable. In addition, we will pursue modifications to our accounting software in order to accurately capture PAI expenses charged to non-LSC funds.

5. Statistical Reporting Discrepancy.

The draft report noted a discrepancy between the number of 2003 closed PAI cases reported to LSC in G-3(d) Report of Actual Case Services - PAI (2,619 cases), and LSNC’s documented PAI case total for 2003 (2,595). As discussed with the OIG team during their visit, and as reflected in the draft report, the difference of 24 cases was due to the fact that, as of the date the case management information was relayed to the OIG in January 2004, 24 closed cases inadvertently had not yet been entered into the case management system (but were so entered prior to transmission of the G-3(d) reports in March).

Leonard J. Koczur, Acting Inspector General  
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The draft report also notes a discrepancy between the total number of closed PAI cases in the G-3(d) report, and the total number reflected on the J-1 (Components of PAI) Report. As discussed with the OIG team during its visit, the numerous categories of PAI cases listed on the J-1 form are neither defined nor described, and LSC has never explained or clarified how these different "components" should be reported. Nevertheless, as set forth in our attached letter of March 26, 2004, LSNC already had modified its case management system to require case handlers to designate each PAI case as one of the eight case types identified on the J-1 form, so at the end of every reporting period the totals reflected in the G-3(d) and J-1 reports should be identical.

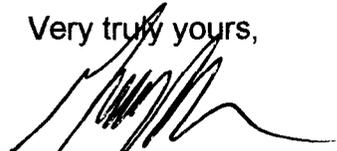
**Recommendation 4:**

We accept this recommendation, and as set forth above we already have taken steps to ensure that all statistical data reported is accurate.

Conclusion

Thank you for this opportunity to respond to the draft report. We understand that our comments will be summarized in the body of the final report, and that this letter will be included as an appendix thereto. We look forward to receipt of the final report.

Very truly yours,



Gary F. Smith  
Executive Director

Enclosure

GFS/bct

March 26, 2004

David L. Gellman  
Supervising Senior Auditor  
Office of the Inspector General  
Legal Services Corporation  
3333 K Street, NW, 3<sup>rd</sup> Floor  
Washington, DC 20007

Re: PAI Audit of Legal Services of Northern California

Dear David:

I wanted to let you know of three modifications to our case management and case handling protocols which we have created following your visit to LSNC last week. First, we have revised the "case type" selection protocol such that, whenever the case type selected is "PAI" (as opposed to "staff"), the intake cannot proceed until the case handler further designates the case as one of the eight categories of PAI cases described on LSC's Grant Activity Report Form J-1. Accordingly, at the end of every reporting period, the total number of cases reported for LSNC in those eight categories on Form J-1 should always equal the total number of PAI cases reported for the entire program. Since *all* of the cases handled by our Voluntary Legal Services Program (VLSP) in Sacramento are PAI cases, and since all of them fall within the same category on Form J-1, the Sacramento VLSP cases will all default to that category in the case management program. This modification should eliminate any discrepancies between the totals in the J-1 categories and the overall PAI case total.

Second, we have created a data integrity protocol review in the Sacramento field office which will identify, every month, any cases designated as "staff" cases which have had six or more hours of PAI time expended upon them by a LSNC staff person. Any such case will be reviewed to determine whether, since the initial intake and designation as a "staff" case, it should (e.g., by virtue of LSNC having obtained an on-going pro bono co-counsel, etc.) be re-designated as a "PAI" type case.

Third, as I believe we discussed with you during your visit, we have revised the case handling protocol for the Sacramento VLSP cases to ensure accurate documentation of our on-going oversight of open cases. VLSP will continue to generate "status" letters to pro bono counsel handling open cases at least once every quarter, and in addition, the posting and date of all such letters shall be documented in the case notes of each file.

David L. Gellman  
March 26, 2004  
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All of these modifications should be fully deployed by April 2, 2004. On behalf of LSNC and VLSP, I want to express our appreciation for the cordial and constructive tenor of your visit. As we indicated before you left, if in the course of your general survey of PAI practices you think it would be helpful to discuss any issues (either of specific compliance or broader policy) with staff in a field program, Bill Kennedy and I would be happy to serve in that capacity.

Very truly yours,



Gary F. Smith  
Executive Director

cc: Amelia Laguilles

## **APPENDIX II**

### ***OIG On-Site Audit Team***

David Gellman (Auditor-in-Charge)

Amelia Laguilles